

ROUTING

**Top Secret**

231

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday June 17, 1976

CI NIDC 76-142C

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday, June 17, 1976.

The NID Cable is for the purpose of informing senior US officials.

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LEBANON

Palestinian and Lebanese leftist leaders have denied any responsibility for the murders of Ambassador Meloy and Economic Counselor Waring.

Syria has not yet commented on the murders. Damascus may be studying whether to take action in response. If it concludes that Libyan Prime Minister Jallud's efforts to arrange a truce with Palestinian and leftist forces are likely to get nowhere, Syria could use the murders as an excuse for a concerted military push against the leftists.

On the other hand, the Syrians seem interested in a truce that would at least give them more time to continue their negotiations with the Palestinians. They have been playing along with Jallud in an apparent effort to win political credit for seeming to be conciliatory.

Jallud has in the meantime made no apparent progress on the Syrian withdrawal plan he announced on Tuesday. Although no major fighting occurred yesterday, there has been no sign

that Syria intends to implement the plan, which calls--without a timetable--for a phased withdrawal first to northern and eastern Lebanon and ultimately back into Syria.

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[REDACTED] The separate efforts of Arab League Secretary General Riyad to secure agreement on the size and composition of the joint Arab peacekeeping force have been no more successful. Riyad yesterday obtained a heavily qualified endorsement of the force from Lebanese Christian leaders, who last week adamantly opposed it.

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[REDACTED] Christian leaders announced that they will not oppose the force so long as it cooperates with but does not replace Syrian forces, does not include Palestinians, and takes on as its principal task the enforcement of the 1969 Cairo agreement restricting Palestinian activities. The Christians also stipulated that Libyan, Algerian, and Iraqi forces would be unacceptable.

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[REDACTED] These conditions would be virtually impossible for the Palestinians or the Syrians to accept. The Palestinians want the Iraqis involved to counter Syria's heavy involvement; the Syrians want the Libyans and Algerians involved to ensure that the Iraqis and the Egyptians will not play an important role.

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#### SYRIA

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[REDACTED] Syrian President Asad arrives today in France for a two-day visit. He has canceled his scheduled visit to Eastern Europe presumably so he can return more quickly to Damascus to deal with his pressing problems in Lebanon, with Iraq, and at home.

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[REDACTED] Iraq's military moves also require close attention. Although Baghdad shows no sign of having decided to move its forces into Syria, its display of force has already tied down several thousand Syrian troops and presumably provided additional encouragement to Asad's domestic opponents.

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[REDACTED] Syrian officials have attempted to seize on the external threat from Iraq to elicit greater popular support for

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Asad and his policies. They appear to have made little progress, however; there continues to be signs of dissatisfaction both among civilians and within the armed forces.

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[ ] A meeting of a Damascus area Baath Party unit last week reportedly "broke up in chaos" after party leaders were shouted down by critics of Asad's policy in Lebanon. Bombs placed by unknown persons exploded at two locations in the capital Tuesday night.

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[ ] We cannot confirm Palestinian and leftist claims that a Syrian army unit protesting its assignment to Lebanon mutinied on June 14, although a Palestinian pilot in the Syrian air force defected to Iraq that morning. The Syrian army's autonomous Defense Companies, which are primarily responsible for internal security, carried out "annual exercises" on June 14, but we have no evidence that this was in response to a threat to Syrian security. [ ]

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USSR

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[ ] Current weather conditions in wheat-growing areas of the USSR and recent Soviet forecasts of crop disease indicate that rust fungus is likely to reduce the 1976 Soviet wheat crop by over 10 million tons, double the usual loss from this disease. The additional 5 million ton wheat loss is about the amount the Soviets usually export to their client states, and it is nearly the same as the normal amount of grain--6 million tons--the Soviets are purchasing from the US each year under the current five-year agreement.

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[ ] Two high-level Soviet administrators and scientists have forecast a high incidence of wheat rust this year. One indicates that the north Caucasus, southwest Ukraine, and northern Kazakhstan are threatened. The other added the non-Black Soil Zone of European Russia and the Ural foothills to the areas likely to be affected.

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[ ] Practically all Soviet wheat varieties are susceptible to the new virulent types of leaf rust, which first appeared in 1973 and which damaged 25 to 50 percent of some varieties. There has been above-normal precipitation this spring in the wheat growing areas, which favors the growth of the rust fungus. Depending on weather conditions during June and July, the enormous reproduction rate of the rust fungus could quickly lead to the development of a severe epidemic.

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[ ] The Soviets have recommended that farms use relatively expensive preventive and control measures, including aerial application of fertilizer and fungicide. Soviet authorities, for example, propose to spray about 10 percent of the spring wheat in northern Kazakhstan with a phosphorus-potassium solution.

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[ ] This solution is unlikely to reduce the development of rust appreciably, but may increase plant vigor and resistance. The proper application of fungicide could achieve some reduction of the disease on specialized fields of wheat grown for seed.

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ROMANIA

25X1 [ ] The personnel shifts in Romania's Council of Ministers on Tuesday stem from President Ceausescu's increasing concern over consumer dissatisfaction and economic inefficiency.

25X1 [ ] Ceausescu has moved a senior functionary with proven administrative ability, Deputy Premier Niculescu, into a key position affecting consumer welfare, presumably in an effort to improve economic administration. Niculescu will head the newly established coordination council for the production of consumer goods. Bucharest's Mayor Cioara, another trusted Ceausescu supporter and a strong proponent of better economic management--although possessing a poor administrative record as mayor and reportedly ailing--was named a deputy premier. His new duties are not known. The health minister and the chairman of the national union of agricultural production cooperatives were replaced.

25X1 [ ] Ceausescu's grip on the reins of power is strong, but he apparently recognizes that he is most vulnerable to an economic downturn. Since last October the leadership has become more responsive to hints of popular dissatisfaction; [ ]

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25X1 [ ] There also were changes in the military. Former defense minister Ionita was named a deputy premier and presumably will supervise military-security activities. Ionita's successor, army chief of staff Colonel General Coman, reportedly is favorably disposed toward the US. His trip to the US last summer was the first visit here by the chief of staff of a Warsaw Pact member's army. [ ]

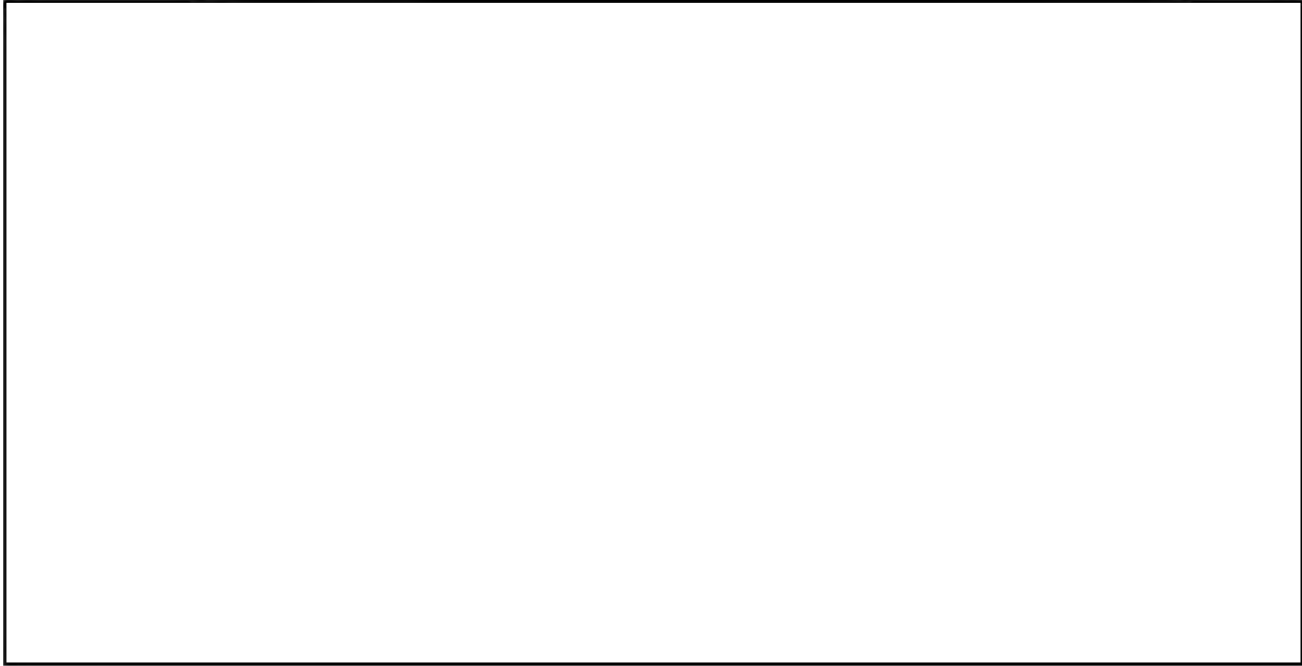
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CIEC

[REDACTED] //The co-chairmen of the Conference on International Economic Cooperation will meet in Paris today and tomorrow to set an agenda for the next plenary session in July.//

[REDACTED] //The agenda will guide senior government officials in July in selecting problems to be addressed during the next half year and setting a target date for completion of the negotiations.//

[REDACTED] //Also at issue will be the fate of the conference's raw materials commission. Some developing states and EC members have argued that the decision of the UNCTAD Conference in Nairobi last month to schedule talks on commodity issues eliminates the need for the raw materials commission.//

[REDACTED] //The industrialized states, and the EC in particular, are looking for common ground on which to establish a joint policy for future meetings with the developing states. They will discuss differences at the ministerial meeting of the OECD next week and at the summit meeting in Puerto Rico, but difficulties are likely to persist between those that want to keep concessions within a free-market framework and those arguing for increased government involvement.//

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25X1 [ ] //The 19 developing states that must represent in Paris the more than 110 members of the developing states' caucus--the so-called Group of 77--are under pressure to show that some of the Group's demands can be satisfied.//

25X1 [ ] //Most of the moderate developing states have expressed general satisfaction with the Nairobi meeting, but almost all are disappointed with the slow progress of the Paris talks. They will try in July to set a deadline for completing substantive negotiations, probably within a year. They will also resist efforts to select a few key issues on which to accelerate negotiations for fear of splitting the group. [ ]

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#### BOLIVIA

25X1 [ ] Bolivian President Banzer's efforts to ward off a general strike have failed, and in fact seem to be making the situation worse.

25X1 [ ] Workers from two major state-owned mines who walked off the job last week in reaction to the government's declaration of a state of siege now have been joined by other miners and some employees in industry and the universities.

25X1 [ ] The miners are demanding the removal of the troops, the release of union leaders from detention, and a wage settlement. They are asking for a 150-percent wage increase and have said they would not consider a government counter-offer.

25X1 [ ] Banzer visited the mines this week but apparently was unable to persuade the miners to return to work. He then called a special meeting of the armed forces high command, but no proposal for solving the problem has yet been announced. [ ]

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#### NORTH KOREA

25X1 [ ] The North Koreans recently have taken a number of steps publicly to demonstrate their unhappiness with the support they are receiving from the Soviet Union. Their attitude has attracted attention to Pyongyang's independent policies, which the North Koreans probably think will help their campaign to win support from nonaligned countries.

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25X1 [ ] In the past month Pyongyang:

--Played host to a high-level Egyptian military delegation following Cairo's abrogation of its friendship treaty with Moscow in March.

--Included for the first time an "antihegemony" clause (a Chinese anti-Soviet formulation) in a joint communique issued on May 26 following Pakistani Prime Minister Bhutto's visit to North Korea.

--Identified itself more openly with Romanian apprehensions over Soviet efforts to impose closer controls on independent-minded regimes in Eastern Europe.

25X1 [ ] Soviet - North Korean relations have been correct but cool since the early 1970s. The relationship periodically cools or warms depending in large measure on the amount of effort and resources Moscow invests to counter Peking's position in Pyongyang. Clearly the Soviets have not been trying hard of late.

25X1 [ ] The five-year trade and aid agreement signed with the USSR in February, for example, provides little new economic aid. North Korea was reportedly granted a five-year moratorium on its debt to the USSR, but Moscow did not provide the hard currency loan necessary to help the North Koreans avoid further default on debts with non-communist nations.

25X1 [ ] Pyongyang's debt problem hampers its trade with the West and reinforces its dependence on Moscow and Peking. The new five-year agreement with the USSR reportedly calls for a 40-percent trade increase over the previous five-year period.

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25X1 [ ] Pyongyang also is annoyed at Moscow's occasional gestures toward South Korea. Early this month, Seoul announced that the Soviets had agreed for the first time to permit families

of Korean origin interned since World War II on Sakhalin Island in the Soviet Far East to emigrate to Japan. Most of these families are likely to return ultimately to South Korea

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It is in North Korea's interest to maintain at least a rough balance in its relations with China and the USSR. A trip to Moscow by President Kim Il-song, who made a much-publicized trip to China in April 1975, would go a long way toward achieving that goal. There were signs that Kim was planning such a visit last September, but the Soviets put him off. More recently Soviet officials have stated privately that a Kim visit would come in "the second half of this year."

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#### SOUTH AFRICA

South African police have sealed off Soweto Township, the sprawling all-black suburb of Johannesburg, after a day of rioting by thousands of secondary students that left at least seven persons dead and some 40 wounded.

The riots were the culmination of a strike that began in mid-May when some black students rebelled against the government's insistence that certain courses be taught in the Afrikaaner language. Afrikaans is widely regarded by blacks as a symbol of white oppression.

The authorities seem to be in control of the situation and should be able to prevent the disturbances from spreading outside Soweto, but they may feel compelled to reconsider their insistence on the use of Afrikaans in black schools. A reversal of the order would be considered a political victory by Soweto's blacks and could lead to other demands for change.

The riots will inevitably recall memories of the "Sharpeville massacre" of 1960 in which some 60 black demonstrators were killed and will lead to another round of foreign condemnation of South Africa's apartheid policies.

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## EC-CANADA

- 25X1 [ ] //The EC and Canada completed negotiations last week on a trade and economic cooperation agreement that probably will come into effect late this year.//
- 25X1 [ ] //The non-preferential agreement is the first of its kind between the Community and a major industrialized country. It could be a model for EC accords with other developed states, such as Australia, Japan, and New Zealand.//
- 25X1 [ ] //The agreement was threatened by EC insistence--mostly at Danish prodding--that it include a clause giving the EC nondiscriminatory access to Canadian natural resources and guaranteeing security of supply. Canada refused to make such a promise, arguing in part that it would require changing price controls that had been in effect since October 1975. Ottawa also maintained that the exploitation of natural resources was a matter for provincial authorities and lay outside the control of the federal government.//
- 25X1 [ ] //Canada finally agreed to let the EC state its views in a unilateral note, which will be added to, but not be a part of, the final agreement. Canada will acknowledge the EC's position in a second note.//
- 25X1 [ ] //The agreement will provide a framework for regular ministerial meetings, joint industrial ventures, and exchanges of commercial, agricultural, and technical information. On trade matters, the agreement will basically reiterate the most-favored-nation commitments already covered under the General Agreement on Tariffs and Trade.//
- 25X1 [ ] //For Canada, the agreement has considerable political significance. It provides the backbone of Prime Minister Trudeau's "third option" foreign policy, which calls for reducing Canada's dependence on the US by expanding relations with other nations. For that reason the government considers it important that the agreement bear some economic fruit in the next few years.//
- 25X1 [ ] //The agreement--which contains no specific trade measures--is likely to have little economic effect on Canada.

It is unlikely to reverse the EC's declining share of total Canadian trade--11 percent in 1975 as compared to 14 percent in 1970--especially in view of Canada's desire to export finished goods and the EC's wish to import natural resources.//

25X1 [ ] //As a result Canada's favorable trade balance with the EC--some \$4.1 billion in exports compared to \$3.3 billion in imports last year--will not be greatly affected. Canadian imports of finished goods in 1975 including beverages, steel shapes, transportation equipment, and clothing were more than offset by exports of wheat, ores, asbestos, and wood pulp. EC exports to Canada, however, have grown at nearly double the rate of imports since 1970.//

25X1 [ ] //Joint ventures and investments in Canada will be the greatest avenue for cooperation, particularly in the production and processing of forest products, uranium, and non-ferrous metals. The EC, for example, recently loaned the British Steel Corporation \$78 million to exploit new iron ore deposits in Quebec.//

25X1 [ ] //The Trudeau government hopes that the agreement will foster investment in Canada, thus reducing dependence on US and Eurobond financing. On the other hand, Ottawa's Foreign Investment Review Act may retard EC participation in Canadian ventures. Over the past year foreign investors have complained about the uncertain investment climate and the confusing regulations under which the law is administered. These problems will probably be discussed within the new consultative framework.

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#### AFRICA

25X1 [ ] //French President Giscard is likely to push his proposal for a new multilateral aid fund for Africa at the economic summit meeting in Puerto Rico.

25X1 [ ] //The Giscard concept first came to light during a Franco-African summit meeting in May. The French plan to flesh out details of the proposal and hope to gain US support for the fund before it is brought up at the summit.//



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[redacted] //The French plan resembles a US proposal made by Secretary Kissinger during his recent visit in Africa. Both plans envisage a multi-billion dollar program to help the drought-stricken nations of the Sahel over the next several years. The French plan would extend assistance to other African areas that the French wish to favor.

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[redacted] //The Giscard government hopes its proposal will:

--Preserve its close ties with francophone states in Africa and expand relations with other African countries.

--Promote new aid plans to improve North-South relations.

--Balance ill will in black Africa generated by the recent French agreement to provide South Africa with major new nuclear power plants.

--Help counter growing Soviet influence in Africa in the wake of Angolan developments.//

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[redacted] //The French expect their European neighbors to balk at the proposal--which will cost \$1 to \$2 billion--because of already large commitments to Africa. Paris, however, hopes that contributions will be voluntary and that funds can be either public or private. Private capital would be backed by government guarantees or subsidies. [redacted]

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